



Filing Receipt

Received - 2021-09-09 02:03:37 PM
Control Number - 52373
ItemNumber - 96

PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

§
§
§

**PUBLIC UTILITY COMMISSION

OF TEXAS**

**STEERING COMMITTEE OF CITIES SERVED BY ONCOR'S
COMMENTS ON "COMMISSIONER GUIDANCE TWO" REGARDING
REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN**

The Steering Committee of Cities Served by Oncor (OCSC) submits these Comments on "Commissioner Guidance Two" to the Public Utility Commission of Texas (Commission) regarding Project No. 52373, *Review of Wholesale Electric Market Design*. On September 2, 2021, the Commission issued "Commissioner Guidance Two," requesting comments from interested parties on five questions related to residential demand response mechanisms and reliability.¹ The Commission requested comments from interested parties be filed by September 9, 2021. Therefore, these Comments are timely filed.

I. EXECUTIVE SUMMARY

As requested, OCSC has provided a one-page Executive Summary as a separate attachment.²

II. COMMENTS

OCSC member cities (Cities) have been active participants in the design and oversight of the ERCOT market for most of the last two decades. Cities have participated in countless contested cases and rulemakings at the Commission. More than one hundred participating Cities are commercial consumer segment members of ERCOT. Representatives of Cities serve on the ERCOT Board of Directors, the Technical Advisory Committee (TAC), and other Subcommittees, Task Forces, and Working Groups. Throughout their participation at ERCOT, Cities have promoted a fundamental set of market principles, which are highlighted again here:

- The fundamental objective of the ERCOT market is to reliably deliver power at the lowest cost;

¹ Memo from Connie Corona Regarding Questions for Comment (Sept. 2, 2021).

² *Id.* "Comments should include a one-page Executive Summary as a separate attachment. Responses should be limited to five pages, excluding the Executive Summary."

- Where competitive market solutions are possible, power will be delivered at the lowest cost;
- Cities support competitive market solutions where possible;
- Achieving both reliable and economically efficient markets will necessarily involve tradeoffs;
- A fundamental principle of competitive electric markets is to shift financial risks from customers to capital markets and capital market participants;
- The Commission and ERCOT should maintain policies such that financial risks continue to be borne primarily in capital markets by capital market participants; and
- Market and regulatory certainty combined with transparency of market design and operation enable robust market participation; all market and regulatory modifications should follow robust and transparent procedures that provide due process to stakeholders.

In the aftermath of Winter Storm Uri, the 87th Texas Legislature and the Commission have made clear that ERCOT should be operated from a “reliability-first” posture. OCSC applauds this approach, but recognizes that taking a more conservative approach to reliability may create trade-offs that offset efficient market outcomes. OCSC recommends that the Commission take a holistic approach to its review of the ERCOT market design. The current market design can take advantage of price responsiveness of both generation and load, and OCSC encourages the Commission to seek more load-side opportunities, which as Winter Storm Uri highlighted, are currently lacking. With regard to the market design elements required to ensure reliability of residential demand response programs, OCSC would highlight the need for a free and fair market where market prices drive decisions. OCSC looks forward to participating in the upcoming work sessions, requests for comments, and market design discussions related to demand response and reliability.

In its Request for Comments, the Commission asked a number of questions related to residential demand response mechanisms and reliability. Cities provide public health, safety, and welfare for the residents of their communities. Cities provide essential first-responder services and critical public services that were hampered, and even incapacitated, by the power outages resulting from Winter Storm Uri. Cities want to provide reliability to preempt and respond efficiently and effectively to emergencies to protect the residents of their communities. Although Cities have a large amount of load, they haven’t historically participated in large part in demand

response mechanisms due to a number of unique and problematic barriers, outlined below. Overcoming these barriers suggests the need for an array of targeted programs, as a more one-size-fits-all approach will overlook some segments of the population of loads that could be introduced to demand response programs.

Cities have historically been risk averse with respect to participation in demand response programs. The barriers to Cities' participation in demand response programs, noted below, are in some cases due to the types of loads available to participate in demand response programs and, in some cases, the barriers may be education, physical and/or technology limitations. Working with their distribution utilities and retail electric providers (REPs), now in particular in the aftermath of Winter Storm Uri, Cities may be more open to demand response opportunities if these barriers can be overcome, especially if such opportunities are tied to financial incentives.

During periods of constraint and load shed, Cities need to maintain service to critical loads. Many of the loads of Cities are critical in a weather emergency, such as its hospitals, police stations, and fire stations. Even large buildings like libraries and recreation centers can be critical in certain weather emergencies because these locations provide shelter to Cities' residents. In short, Cities own facilities that need the steady supply of power during emergencies. Demand response opportunities for these facilities must be designed around the need for continuous back-up supply. Setting aside these critical services, some larger blocks of load, such as water pumping facilities or sports stadiums, run as needed, rather than on a more continuous basis. These loads may not be operating at capacity during times of scarcity, but nevertheless may offer opportunities for conservation and demand response.

Cities are not always able to be immediately responsive in periods of constraint and load shed. In some instances, control systems in Cities' facilities may not be sufficiently automated or sophisticated enough to be able to moderate or power off load in a specific time frame. Taking advantage of opportunities for demand response may require assistance with education and with control systems or automation.

Cities aspire to participate in demand response opportunities, but are faced with the barriers outlined above. Cities will need to work with the informed industry on ways to overcome these unique barriers in order to become involved and contribute to the Commission's demand response goals. In order to participate in demand response mechanisms, Cities would highlight their need for back-up power supply for emergency facilities, opportunities for enhanced technology back-up

such as batteries, and the need for aggregation of smaller loads. Cities are interested in opportunities to become more involved in demand response mechanisms and look forward to the comments and proposals submitted by experts on this topic. Cities look forward to working with the Commission and the informed community so that they can be part of the solution with regard to demand response and improved reliability across the state.

Cities urge the Commission to consider as well opportunities for small and mid-sized commercial demand response. While some commercial customers are able to take advantage of ERCOT's organized demand response programs for Emergency Response Service and ancillary services, most City accounts are unable to participate in those programs. Many City accounts are more akin to residential load, smaller blocks and dispersed across the community. These accounts may be able to take advantage of aggregation programs and other programs designed typically for residential loads. As the Commission considers demand response mechanisms for residential customers, Cities urge the Commission to be as inclusive as possible of commercial customers with characteristics similar to residential customers.

In addition, the Commission should not ignore standard energy efficiency and conservation programs, which offer well-known, low-cost solutions to reducing load and provide value to all types of customers, not only residential customers. These programs reduce demand and offer load reduction all of the time, not just during periods of scarcity in response to a price signal. In that way, demand response mechanisms can be a complement to energy efficiency and conservation programs. Commercial customers often have the opportunity to take advantage of energy efficiency and conservation programs in situations where demand response is not an option. The Commission should assure that its goal for energy efficiency is revisited in light of Winter Storm Uri, and should encourage the expansion of energy efficiency programs and develop additional programs to incentivize participation by commercial and industrial customers. In particular, Cities urge the Commission to explore adopting programs designed specifically to incentivize greater municipal participation.

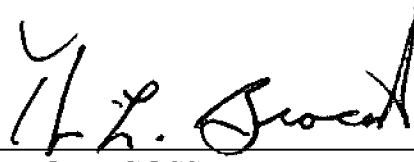
III. CONCLUSION

OCSC supports the expansion of cost-effective residential demand response programs and looks forward to reviewing the proposals in comments filed by experts. OCSC urges the Commission to explore adopting programs designed specifically to overcome the barriers to demand response entry and engagement faced by Cities and to incentivize their participation.

OCSC supports a holistic review of all of the potential load response services, not restricted to residential demand response programs. OCSC looks forward to future work sessions, discussions, and opportunities for stakeholder engagement regarding the review of the wholesale electric market design, and appreciates the opportunity to submit these Comments to the Commission.

Dated: September 9, 2021

Respectfully submitted,



LLOYD GOSSELINK
ROCHELLE & TOWNSEND, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800

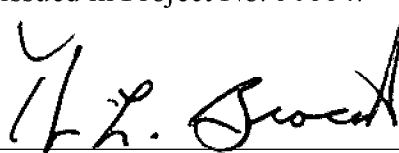
THOMAS L. BROCATO
tbrocato@lglawfirm.com
State Bar No. 03039030

TAYLOR P. DENISON
tdenison@lglawfirm.com
State Bar No. 24116344

ATTORNEYS FOR STEERING COMMITTEE OF
CITIES SERVED BY ONCOR

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on September 9, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.



THOMAS L. BROCATO

PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

§
§
§

**PUBLIC UTILITY COMMISSION

OF TEXAS**

**STEERING COMMITTEE OF CITIES SERVED BY ONCOR'S
EXECUTIVE SUMMARY ON "COMMISSIONER GUIDANCE TWO" REGARDING
REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN**

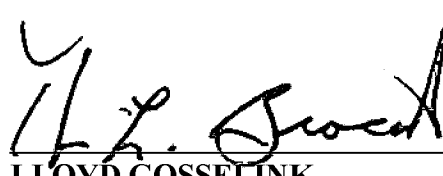
The Steering Committee of Cities Served by Oncor (OCSC) submits this Executive Summary¹ of its Comments on "Commissioner Guidance Two" to the Public Utility Commission of Texas (Commission) regarding Project No. 52373, *Review of Wholesale Electric Market Design*. OCSC requests that the Commission consider the following:

- The market design elements that will ensure reliability of residential demand response programs require a free and fair market where market prices drive decisions.
- OCSC member cities (Cities) aspire to participate in demand response mechanisms, but are faced with a number of unique and problematic barriers.
- Barriers include the types of loads Cities have available to participate in demand response programs, physical limitations, the large amount of critical load Cities own, and the lack of automation and sophistication Cities often possess in providing immediate response.
- Cumulatively, Cities own a large amount of load and there exists an opportunity to increase their participation in demand response programs. Cities want to be part of the solution.
- The Commission should adopt programs that overcome the barriers to demand response entry and engagement faced by Cities and should incentivize their participation.
- To participate in demand response mechanisms, Cities may need access to back-up power supply for emergency facilities, opportunities for enhanced technology back-up such as batteries, additional education, and opportunities for aggregation of smaller loads.
- Cities support a holistic review of all of the potential load response services and urge the Commission to also consider opportunities for small and mid-sized commercial demand response and expansion of standard energy efficiency and conservation programs.

¹ "Comments should include a one-page Executive Summary as a separate attachment." Memo from Connie Corona Regarding Questions for Comment (Sept. 2, 2021).

Dated: September 9, 2021

Respectfully submitted,



LLOYD GOSSELINK
ROCHELLE & TOWNSEND, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800

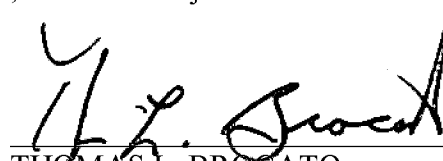
THOMAS L. BROCATO
tbrocato@lglawfirm.com
State Bar No. 03039030

TAYLOR P. DENISON
tdenison@lglawfirm.com
State Bar No. 24116344

ATTORNEYS FOR STEERING COMMITTEE OF
CITIES SERVED BY ONCOR

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on September 9, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.



THOMAS L. BROCATO